

Audit and Risk Committee Terms of Reference

September 2025

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1. Introduction

- 1.1** The Board of Crown Estate Scotland has established in its Standing Orders, an Audit and Risk Committee (ARC) as a sub-committee of the Board to support its responsibilities for risk, control and governance.

2. Membership

- 2.1** The Committee shall comprise at least three members. Members of the committee shall be appointed by the Board of Crown Estate Scotland ("the Board").
- 2.2** The Board shall appoint a non-executive member as Committee chairperson ("the Chair"). In the absence of the Chair at a Committee meeting, the remaining members shall elect one of themselves to chair the meeting.
- 2.3** The Chair of the Board cannot also be the Chair of the Audit and Risk Committee.
- 2.4** The Head of Corporate Governance will oversee provision of a secretariat function to ensure timely, full and proper consideration is given to the range of ARC issues.

3. Quorum

- 3.1** The quorum necessary for the transaction of business of the Committee shall be two members.

4. Reporting

- 4.1** The Audit and Risk Committee will formally report minutes to the Board and Accountable Officer after each meeting.
- 4.2** The Audit and Risk committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the Accountable Officer's governance statement, summarising conclusions from the work it has done during the year.

5. Responsibilities - General

- 5.1** The Audit and Risk Committee will advise the Board and Accountable Officer on:
- The strategic processes for risk, control and governance supporting the Accountable Officer's governance statement;
 - The accounting policies, the accounts, and the annual report of the

organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and the external audit's management letter of representation.

- The planned activity and results of both internal and external audit;
- The adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- The effectiveness of the internal control environment (including references to internal and external audit reports and the 'three lines of defence' model).;
- Assurance relating to the corporate governance requirements for the organisation;
- The Budget needed to resource effective external and internal audit and other responsibilities of the Committee.
- The selection and terms of appointment of advisors and consultants as appropriate to the operation;
- Business Continuity Plans are in place and tested regularly;
- Anti-Fraud, whistleblowing processes and arrangements for special investigations;
- the processes for identifying and assessing Health & Safety risks and its strategies and policies for managing them and ensuring effective compliance with health & safety legislation.

5.2 The Audit and Risk Committee shall also:

- Receive and review regular financial management reports with a view to providing advice to Board and CEO(AO), and assurance to Board;
- Keep under review Crown Estate Scotland's risk management framework and risk profile;
- Review the adequacy and security of Crown Estate Scotland's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- Review the effectiveness of Crown Estate Scotland's insurance arrangements;

- Monitor reports on and have oversight of Crown Estate Scotland's public interest reporting, including responses to freedom of information requests and report any concerns to the Board;

5.3 The audit and risk committee will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

6. Rights

6.1 The Audit and Risk Committee may (subject to legislation, budget availability and the requirements set down by Scottish Ministers for Scottish Public Bodies and Minister appointed Board members, unless formal exemption has been provided):

- Procure specialist ad-hoc advice (from independent advisers only) who shall act only in an advisory capacity, for a period not exceeding a year to provide specialist (expert) skills, knowledge and experience not already existing within the Board; and
- Request that the Chief Executive (Accountable Officer) procure specialist ad-hoc advice (from independent advisers only) at the expense of the organisation to perform its statutory functions, subject to budgets agreed by the Board.

7. Access

7.1 The representative of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit and Risk Committee.

8. Meetings

8.1 The procedures for meetings are:

- The Audit and Risk Committee will meet at least four times a year at appropriate intervals in the financial reporting and audit cycle. The Chair may convene additional meetings, as they deem necessary;
- Audit and Risk Committee meetings will normally be attended by the Accountable Officer, the Director of Finance and Business Services, the Financial Controller and a representative of External Audit, when required. Additional attendees of Audit and Risk committee meetings will be decided by the Chair. The chairperson of the Board will be invited to attend meetings;

- The Audit and Risk Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;
- The Audit and Risk Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- The Board or Accountable Officer may ask the Audit and Risk Committee to convene further meetings to discuss particular issues on which they want the Committee's advice;
- Participation may be by telephone or video-conference provided the member's contribution can be fully heard by all other members attending the meeting. In such cases, such members will be deemed to be present and constitute part of the committee for the purpose of the meeting.
- Meetings will be recorded by MS Teams, and once the minutes of the last meeting has been approved, the recording deleted in line with Crown Estate Scotland retention policy.

8.2 The Committee shall have a short private meeting with the internal and external auditors after each ARC without officers present.

9. Notice of meetings

9.1 Meetings of the Audit and Risk committee shall be convened by Corporate Governance team.

9.2 Unless otherwise agreed by the Audit and Risk Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than 7 days before the date of the meeting. Supporting papers shall be sent to the Committee members at the same time.

9.3 Notices, agendas and supporting papers can be sent in electronic form.

10. Minutes of meeting

10.1 The minute taker shall minute the proceedings and decisions of all meetings of the Audit and Risk Committee, including recording the names of those present and in attendance, apologies tendered, declarations of interest, issues considered, decisions reached, and resolutions passed.

10.2 Within two weeks of a meeting, draft minutes will be sent by the Corporate Governance team to the Chair for approval. The Chair will return the draft

minutes, with such revisions as they wish made to the draft. The revised draft minutes returned by the Chair will be circulated to all members of the Committee, who may propose amendments to the Head of Corporate Governance by email. The draft minutes will be tabled at the next meeting for approval.

- 10.3** Once approved, minutes may be published on the Crown Estate Scotland website.
- 10.4** Where those present at a meeting of the Audit and Risk Committee determine that any part of the meeting conducted is confidential, that part of the proceedings will be minuted separately and will not be published on the Crown Estate Scotland website.

11. Information requirements

11.1 For each meeting the Audit and Risk Committee will be provided with:

- A report summarising any significant changes to the organisation's Risk Register;
- A progress report summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management response to audit recommendations;
 - significant changes to the audit plan;
 - any resourcing issues affecting the delivery of Internal Audit objectives;
- A progress report on any open audit points;
- Any update on any resourcing or governance issues which may impact the delivery of any aspect of the risk and audit framework.

11.2 As and when appropriate the Audit and Risk Committee will also be provided with:

- Proposals for the Terms of Reference of Internal Audit;
- Internal Audit Strategy;
- Quality assurance reports on the Internal Audit function;
- Draft accounts of the organisation;
- Draft governance statement;
- Report on any changes to accounting policies;
- Progress report from the External Audit representative summarising work done and emerging findings.

- External Audit's management letter/report;
- Report on any proposals to tender for audit functions;
- An annual report on fraud and bribery.

Appendix: Standing Items and Indicative checklist for Audit and Risk Committee meetings

Standing items

- Minutes of the previous meeting
- Action Tracker
- Risk Management Report summarising any significant changes to the registers.
- Internal Audit update.
- Financial Report
- Health and Safety Dashboard and Assurance Tracker

February meeting

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- Risk deep dive
- Annual Review of Risk Management Policy
- Draft budgets for Capital and Revenue for next financial year
- Draft External Audit Plan
- Draft Internal Audit Plan
- Business continuity report
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May meeting

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- Updates on External Audit e.g. External Audit Progress Report
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- Counter fraud policy
- Consider Annual assurance reports provided by Senior Staff.
- Consider Annual reports provided by Senior Staff:
 - Fraud and Bribery
 - Whistleblowing
 - Information Governance and Cyber Security

- Consider an annual report from the Audit Committee to the Board and Accountable Officer.
- Advise the Accountable Officer on signing the accounts and Statement on Internal Control.
- Consider Audit and Risk Committee self-evaluation results.
- Insurance

September meeting

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- Risk deep dive
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- Update from External Audit
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- Annual review of Audit and Risk Committee Terms of Reference.
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- Annual Health and Safety Report
- Climate-Related Financial Disclosures

November meeting

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- Finance and Reforecast Report
- Budget Planning
- External Auditor's Report
- Update on Draft Annual Report and Accounts
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